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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-07 LAB-04
NSAE-00 SIL-01 L-03 OMB-01 DODE-00 PA-02 USIA-15
PRS-01 SP-02 SS-15 NSC-05 EURE-00 /077 W
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FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 3736
TREASURY DEPT WASHDC PRIORITY
INFO USMISSION EC BRUSSELS
USMISSION OECD PARIS
AMCONSUL FLORENCE
AMCONSUL GENOA
AMCONSUL MILAN
AMCONSUL NAPLES
AMCONSUL PALERMO
AMCONSUL TRIESTE
AMCONSUL TURIN

UNCLAS ROME 5362

E.O. 11652 N/A
TAGS: EFIN, IT
SUBJ: LABOR AND GOVERNMENT AGREEMENT ON LABOR COSTS

1. MAJOR PROVISIONS OF AGREEMENT REACHED MORNING OF MARCH 30 BETWEEN GOI AND LABOR CONFEDERATIONS AS REPORTED IN DAILY PRESS ARE AS FOLLOWS.

2. THE GOVERNMENT WILL WITHDRAW FROM THE FEBRUARY 7 DECREE LAW ON LABOR COSTS ARTICLES 3 AND 4. THESE PROVIDED RESPECTIVELY FOR: A) WITHDRAWAL OF FISCALIZATION AND TAX BENEFITS FROM BUSINESSES WHICH AGREED TO WAGE INCREASES IN LOCAL NEGOTIATIONS WITH UNIONS, AND B) STERLIZATION OF THE EFFECT OF VALUE ADDED TAX AND MANUFACTURING TAX INCREASES ON WAGE INDEXATION ADJUSTEMENTS. THE TRUNCATED DECREE LAW IS TO THEN
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BE RAPIDLY CONSIDERED BY PARLIAMENT IN ORDER TO APPROVE THE MEASURE BEFORE EXPIRATION DATE OF APRIL 8. (DISCUSSION IN SENATE BEGAN EVENING OF MARCH 30 AND SENATE APPROVED REVISED DECREE ON MARCH 31. CHAMBER IS EXPECTED TO VOTE ON MEASURE IN NEXT FEW DAYS.)

3. IN RETURN, UNIONS AGREE TO ACCEPT A TECHNICAL ADJUSTMENT,

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TO THE WAGE INDEXATION BASKET WHICH WILL PERMIT PRICES OF NEWSPA-
PERS, URBAN TRANSPORTATION AND ELECTRICITY TARIFFS TO BE CAL-
CULATED ON A DIFFERENT BASE THAN AT PRESENT. UNIONS SIGNED AGREE-
MENT TO THIS EFFECT MARCH 30 WITH THE CONFEDRATION OF LARGE
INDUSTRIES, (CONFINDUSTRIA, IN THE PRESENCE OF MINISTER OF LABOR.
FOR NEWSPAPERS, THE BASKET WILL USE THE AVERAGE MONTHLY SUB-
SCRIPTION RATE FOR SIX ISSUES PER WEEK OF THE MAJOR DAILIES
RATHER THAN NEWSSTAND PRICE FOR 365 ISSUES A YEAR. THE IMMEDIATE
EFFECT ON THE SCALA MOBILE WILL REDUCE THE OVERALL INDEX
BY 0.89 POINTS. THE NEW BASKET DEFINITION FOR URBAN
TRANSPORTATION WILL BE THE COST FOR A MONTHLY PASS. REDUCTION
IN SCALA MOBILE INDEX WILL BE 0.44 POINTS. THE NEW DEFINITION
FOR ELECTRICITY PRICES IN THE BASKET WILL BE THE FIXED RATE ON
CONSUMPTION. THE VARIABLE CONSUMPTION RATE GRADED ACCORDING
TO CONSUMPTION POTENTIAL AND THE FIXED MEMTER RATE WILL BE
EXCLUDED. THIS WILL REDUCE INDEX BY 0.16 POINTS. TOTAL IMPACT OF
THE INDEX WILL BE A REDUCTION OF 1.49 POINTS COMPARED TO THE
1.26 POINT AVINGS EVISAGED BY THE STERLIZATION OF THE IVA
INCREASES. THE AGREEMENT THUS PROVIDES A NET REDUCTION
IN SCALA MOBILE INDEX POINTS (EFFECTIVE FROM FEBRUARY 1) OF 0.23
POINTS WITH THE VALUE ADDED AND MANUFACTURING TAX INCREASES
STILL IN PLACE. ALSO, FUTURE RISES IN ORDINARY PRICES OR RATES
FOR NEWSPAPERS, PUBLIC TRANSPORTATION AND ELECTRICITY WILL NOT
FEED BACK INTO WAGE INDEXATION ADJUSTMENT.

4. THE UNIONS ALSO REITERATED FORMALLY THEIR WILLINGESS
TO COORDINATE COMPANY LEVEL DEMANDS IN ORDER TO GUARANTEE FULL
PRIORITY TO THE FIGHT AGAINST INFLATION AND DEFENSE OF THE LIRA
BY RESTRAINING THE RISE IN THE OVERALL COST OF LABOR AND INCREASING
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PRODUCTIVITY, TO DEVELOP NEW JOBS AND GRADUALLY TO IMPLEMENT
POLICY OF UNDUSTRIAL RECONVERSION. IN OTHER WORDS, IN THE PRESENT
CRISIS, DEMANDS FOR GENERAL INCREASES IN WAGES WILL NOT BE MADE.

5. THE GOVERNMENT ALSO AGREED: A) TO DESIST FROM FURTHER
DISCUSSION OF THE LABOR COST PROBLEM UNTIL AFTER MARCH 1978; B)
TO RAISE ANY NEW REVENUES REQUIRED IN 1978 THROUGH DIRECT TAXES
AND NOT THROUGH INDIRECT TAXES (EMBASSY UNDERSTANDS THAT THIS DOES
NOT APPLY TO ANY NEW TAXES IN 1977; C) TO REVIEW BY JUNE 30
THE PRESENT PARTIAL FREEZE THROUGHOUT FORCED SAVINGS IN GOVERNMENT
BONDS OF WAGE INDEXATION ADJUSTMENTS AT THE 6 AND 8 MILLION LIRE
SALARY LEVELS; (THIS COULD MEAN, FOR EXAMPLE, ADJUSTING THESE
CEILINGS TO 7 AND 9 MILLION LIRE TO TAKE CARE OF INFLATIONARY
INCREASES IN INCOMES.); D) NOT TO APPLY THE AMENDMENT BREAKING
THE LINK BETWEEN WAGE INDEX ADJUSTMENTS AND SENIORITY STEP
INCREASES WHICH WAS INTRODUCED BY THE SENATE AND APPROVED BY
PARLIAMENT IN THE DRECREE LAW DEALING WITH SEVERANCE PAY AND WAGE
INDEXATION ANOMALIES; AND E) TO MEET WITH THE UNIONS WITHIN 15
DAYS TO STUDY A NEW SYSTEM FOR MONITORING PRICES OF THE LARGE

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INDISTRUES.

6. IN RESPONSE TO NUION DEMANDS CONCERNING INVESTMENT, SOUTHERN DEVELOPMENT, AND EMPLOYMENT, THE GOVERNMENT AGREED THAT: A) A MEETING WILL BE PLANNED WITH THE GIANT GROUPS (FIAT, STATE ENTERPRISES AND MONTEDISON) ON THEIR INVESTMENT PLANS; B) MEANS WILL BE FOUND TO HURRY UP THE PROCEDURE FOR DISPERSING THE 700 TO 800 BILLION ALREADY APPROVED FOR SOUTHERN DEVELOPMENT; C) SAVINGS ACCRUING TO THOSE ORGANIZATIONS WHOSE PAYMENTS OF WAGE INDEXATION ADJUSTMENTS WERE REDUCED Y THE ABOLISHENT OF ANAMOLOUS SYSTEMS WILL BE UTILIZED IN 1978 AS WELL AS 1977 FOR SOCIAL PURPOSES; AND LASTLY D) IMPLEMEMTATION OF THE GOVERNNMENT'S PLAN FOR YOUTH EMPLOYMENT MAY BE SPEEDED UP WITH RECOURSE TO A DECREE LAW.GARDNER

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Control Number: n/a
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Disposition Event:
Disposition History: n/a
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